

DIRECT TESTIMONY  
OF  
STEVEN A.J. CIANFARINI  
ENGINEERING DEPARTMENT  
ENERGY DIVISION  
ILLINOIS COMMERCE COMMISSION

INTERSTATE POWER COMPANY

DOCKET NO. 00-0715

June 2001

1     1.     Q.     Please state your name and business address.

2           A.     My name is Steven A.J. Cianfarini and my business address at the Illinois  
3           Commerce Commission ("Commission") is 527 East Capitol Avenue,  
4           Springfield, Illinois 62701.

5     2.     Q.     By whom are you employed and in what capacity?

6           A.     I am employed by the Commission as a Senior Energy Engineer in the  
7           Gas Section of the Engineering Department of the Energy Division.

8     3.     Q.     Please state your educational background.

9           A.     I earned a Bachelor of Science degree in Mechanical Engineering from  
10           Drexel University, Philadelphia, Pennsylvania. Also, I have completed  
11           approximately half the course work towards an M.S. in Engineering  
12           Management at Drexel University. Furthermore, I hold the Pennsylvania  
13           equivalent of the Illinois Professional Engineer Intern Certification.

14    4.     Q.     Please state your professional work experience.

15 A. I was employed by the Philadelphia Gas Works ("PGW") for over 12 years  
16 in the Distribution Department. I worked as a Natural Gas Operations  
17 Supervisor for over 6 years and as a Staff Engineer in the Planning  
18 Section of the Distribution Department for an additional 6 years. I have  
19 designed many major natural gas facilities for PGW.

20 5. Q. What are your duties and responsibilities a Senior Energy Engineer in the  
21 Gas Section of the Energy Division's Engineering Department?

22 A. My primary responsibilities and duties are in the performance of studies  
23 and analyses dealing with the day-to-day, and long term, operations and  
24 planning of the gas utilities serving Illinois. For example, I review  
25 purchase gas adjustment clause reconciliations, rate base additions,  
26 levels of natural gas used for working capital, as well as applications for  
27 Certificates of Public Convenience and Necessity. My additional  
28 responsibilities and duties include the performance of on-site meter shop  
29 audits for the natural gas companies in Illinois.

30 6. Q. What is the purpose of this proceeding?

31 A. On November 8, 2000, the Commission initiated its annual reconciliation  
32 of the purchase gas adjustment ("PGA") for fiscal year 2000 filed by  
33 Interstate Power Company ("Interstate" or "Company") pursuant to

34 Section 9-220 of the Illinois Public Utilities Act ("Act"). This investigation  
35 was initiated to determine whether Interstate's PGA clause reflects actual  
36 costs of gas and gas transportation for the twelve month period from  
37 January 1, 2000 through December 31, 2000, and whether its purchases  
38 were prudent.

39 7. Q. What is your assignment within this proceeding?

40 A. I was assigned by the Gas Section Supervisor to review the purchases for  
41 the reconciliation period to ensure the Company's purchases during the  
42 reconciliation period were prudent.

43 8. Q. What is the Commission's definition of prudence?

44 A. Prudence is defined by the Commission as follows:

45 **"Prudence is that standard of care which a reasonable**  
46 **person would be expected to exercise under the**  
47 **circumstances encountered by utility management at**  
48 **the time decisions had to be made. In determining**  
49 **whether or not a judgment was prudently made, only**  
50 **those facts available at the time the judgment was**  
51 **exercised can be considered. Hindsight review is**  
52 **impermissible."**

53 **Imprudence cannot be sustained by substituting one's**  
54 **judgment for that of another. The prudence standard**  
55 **recognizes that reasonable persons can have honest**  
56 **differences of opinion without one or the other**

57 **necessarily being 'imprudent'. (Docket No. 84-0395,**  
58 **p17).**

59 9. Q. Did you discover any imprudent purchases during the reconciliation  
60 period?

61 A. After reviewing the Company's filing, testimony, and responses to  
62 extensive data requests, I did not find any imprudent purchases in the  
63 reconciliation period.

64 10. Q. Does Staff have any issues that it would like Interstate to address for  
65 future gas purchases?

66 A. Yes. Interstate should consider purchasing a portion of its gas supply with  
67 contracts that are not tied to index pricing. The Company should weigh  
68 the risks and the benefits of non-index pricing and develop an appropriate  
69 strategy.

70 11. Q. Please explain the meaning of "index natural gas pricing."

71 A. "Index natural gas pricing," refers to the price of natural gas that fluctuates  
72 with a contract specified "index." The index could refer to natural gas  
73 pricing data published by commonly used gas industry publications such  
74 as "Gas Daily" or "Natural Gas Intelligence." These publications provide  
75 pricing information for various delivery points for specified time periods

76           such as the day, week, or month. For example, a contract for natural gas  
77           may define "Daily Price" as the price published in "Gas Daily" for the  
78           specific day under consideration and for deliveries to a specific delivery  
79           point. To summarize, the contract price for the natural gas is the specified  
80           "index price" that fluctuates with the gas market for the delivery point and  
81           time period specified.

82       12.    Q.    Does this conclude your direct testimony?

83           A.    Yes, it does.

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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<b>ILLINOIS COMMERCE COMMISSION</b>	:	
<b>On Its Own Motion</b>	:	
<b>-vs-</b>	:	
<b>INTERSTATE POWER COMPANY</b>	:	<b>00-0715</b>
	:	
Reconciliation of revenues collected under gas	:	
adjustment charges with actual costs prudently	:	
incurred.	:	

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**NOTICE OF FILING**

**To Attached Service List:**

**YOU ARE HEREBY NOTIFIED** that we have, on the 29<sup>th</sup> day of June, 2001 forwarded to the Chief Clerk of the Illinois Commerce Commission, for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Steven A.J. Cianfarini of the Energy Division, Engineering Department, a copy of which is hereby served upon you.

\_\_\_\_\_  
Steven R. Knepler  
Supervisor  
Accounting Department  
527 East Capitol Avenue  
Springfield, IL 62701

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**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY THAT** copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 29<sup>th</sup> day of June, 2001.

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Steven R. Knepler  
Supervisor  
Accounting Department

**INTERSTATE POWER COMPANY**  
**Docket No. 00-0715**  
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**ILLINOIS COMMERCE COMMISSION**

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